CARRERAS LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2014

KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
CARRERAS LIMITED

Report on the Financial Statements

We have audited the financial statements of Carreras Limited ("the company") and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 3 to 40, which comprise the group's and the company's statements of financial position as at March 31, 2014, the group's and the company's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Members of
CARRERAS LIMITED

Report on the Financial Statements (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company as at March 31, 2014, and of the group's and the company's financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

May 28, 2014

CARRERAS LIMITED

Group Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2014

	Notes	2014 $'000	2013 $'000 (Restated)*
Operating revenue	4	10,342,006	12,241,512
Cost of operating revenue		(5,268,780)	(6,563,043)
Gross operating profit		5,073,226	5,678,469
Other operating income	5	2,172,352	5,448,887
		7,245,578	11,127,356
Distribution and marketing expenses		(866,431)	(768,862)
Administrative expenses		(1,217,276)	(1,272,578)
Employee benefits income/(expense)	14(i)(d),14(ii)(c)	22,600	(233,100)
		(2,061,107)	(2,274,540)
Profit before income tax	6	5,184,471	8,852,816
Income tax	7	(1,181,296)	(2,618,582)
Profit for the year		4,003,175	6,234,234
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Remeasurement loss on obligation	14(i)(e),14(ii)(d)	(208,900)	(151,000)
Remeasurement loss on plan assets	14(i)(e)	(56,000)	(490,900)
Change in effect of asset ceiling	14(i)(e)	242,300	979,400
Income tax on other comprehensive income		(24,854)	(104,252)
Other comprehensive (loss)/income, net of tax		(47,454)	233,248
Total comprehensive income for the year		3,955,721	6,467,482
Profit attributable to:			
Non-controlling interests		3,183	175
Stockholders' interests	8	3,999,992	6,234,059
		4,003,175	6,234,234
Total comprehensive income attributed to:			
Non-controlling interests		3,183	175
Stockholders in parent		3,952,538	6,467,307
		3,955,721	6,467,482
Earnings per ordinary stock unit	8	824.00¢	1,284.21¢
Arising from:			
Normal operations		547.85¢	551.16¢
Non-routine transactions (see note 5), net of tax		276.15¢	733.05¢
		824.00¢	1,284.21¢

*See note 21

The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED

Company Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2014

	Notes	2014 $'000	2013 $'000 (Restated)*
Operating revenue	4	10,342,006	12,241,512
Cost of operating revenue		(5,268,780)	(6,563,043)
Gross operating profit		5,073,226	5,678,469
Other operating income	5	894,871	5,342,477
		5,968,097	11,020,946
Administrative, distribution and marketing expenses		(2,074,722)	(2,001,649)
Employee benefits expense	14(i)(d),14(ii)(c)	22,600	(233,100)
Profit before income tax	6	3,915,975	8,786,197
Income tax	7	(713,297)	(2,603,214)
Profit for the year		3,202,678	6,182,983
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Remeasurement gain on obligation	14(i)(e),14(ii)(d)	(208,900)	(151,000)
Remeasurement loss on plan assets	14(i)(e)	(56,000)	(490,900)
Change in effect of asset ceiling	14(i)(e)	242,300	979,400
Income tax on other comprehensive income		5,650	(101,250)
Other comprehensive (loss)/income net of tax		(16,950)	236,250
Total comprehensive income for the year		3,185,728	6,419,233

*See note 21
The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED

Group Statement of Financial Position
March 31, 2014

	Notes	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	9	3,222,035	2,359,459
Resale agreements	10	-	1,565,043
Accounts receivable	11	1,649,374	315,317
Income tax recoverable	12	1,305,714	117,437
Inventories	3(e)	295,565	399,438
		6,472,688	4,756,694
Current liabilities			
Accounts payable	13	1,186,373	1,382,714
Income tax payable		1,063,217	1,656,178
		2,249,590	3,038,892
Net current assets		4,223,098	1,717,802
Non-current assets			
Employee benefits asset	14(i)(a)	349,300	409,500
Income tax recoverable	26	-	1,733,137
Property, plant and equipment	15	204,632	158,650
		553,932	2,301,287
		4,777,030	4,019,089
Equity			
Share capital	16	121,360	121,360
Reserves:			
Unappropriated profits		4,050,807	1,669,080
Other	17	22,322	1,893,084
		4,073,129	3,562,164
Total attributable to stockholders of the parent		4,194,489	3,683,524
Non-controlling interest		6,734	4,951
Total equity		4,201,223	3,688,475
Non-current liabilities:			
Deferred tax liability	18	381,707	137,614
Employee benefits obligation	14(ii)(a)	194,100	193,000
		575,807	330,614
		4,777,030	4,019,089

The financial statements on pages 3 to 40, were approved for issue by the Board of Directors on May 28, 2014 and signed on its behalf by:

_______________________ Director
Marcus Steele

_______________________ Director
Gavin Jordan

The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED

Company Statement of Financial Position
March 31, 2014

	Notes	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	9	2,630,845	1,850,680
Resale agreements	10	-	1,539,452
Accounts receivable	11	772,812	313,805
Income tax recoverable	12	47,033	35,928
Inventories	3(e)	295,565	399,438
		3,746,255	4,139,303
Current liabilities			
Accounts payable	13	2,043,111	1,372,336
Income tax payable		723,696	1,555,413
		2,766,807	2,927,749
Net current assets		979,448	1,211,554
Non-current assets			
Employee benefits asset	14(i)(a)	349,300	409,500
Property, plant and equipment	15	211,669	165,687
Investment in subsidiary companies	24	206,294	206,294
		767,263	781,481
		1,746,711	1,993,035
Equity			
Share capital	16	121,360	121,360
Reserves:			
Unappropriated profits		1,371,813	1,603,583
Other	17	22,322	22,322
		1,394,135	1,625,905
Total equity		1,515,495	1,747,265
Non-current liabilities:			
Deferred tax liability	18	37,116	52,770
Employee benefits obligation	14(ii)(a)	194,100	193,000
		231,216	245,770
		1,746,711	1,993,035

The financial statements on page 3 to 40 were approved for issue by the Board of Directors on May 28, 2014 and signed on its behalf by:

____________________ Director
Marcus Steele

____________________ Director
Gavin Jordan

The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED

Group Statement of Changes in Equity
Year ended March 31, 2014

	Share capital (note 16) $'000	Unappropriated profits $'000	Capital reserves (note 17) $'000	Other reserve (note 17) $'000	Total attributable to stockholders $'000	Non-controlling interests $'000	Total $'000
Balances at March 31, 2012	121,360	925,111	22,322	1,870,762	2,939,555	4,776	2,944,331
Profit for the year as previously reported	-	6,538,069	-	-	6,538,069	175	6,538,244
Impact of change in accounting policy (note 21)	-	(304,010)	-	-	(304,010)	-	(304,010)
Profit for the year as restated	-	6,234,059	-	-	6,234,059	175	6,234,234
Remeasurement of employee benefits assets and obligation, net of taxes	-	236,250	-	-	236,250	-	236,250
Deferred tax on reserves of subsidiary in liquidation	-	(3,002)	-	-	(3,002)	-	(3,002)
Total comprehensive income for the year	-	6,467,307	-	-	6,467,307	175	6,467,482
Dividends and distributions (note 23), being total transactions with owners	-	(5,723,338)	-	-	(5,723,338)	-	(5,723,338)
Balances at March 31, 2013	121,360	1,669,080	22,322	1,870,762	3,683,524	4,951	3,688,475
Profit for the year	-	3,999,992	-	-	3,999,992	3,183	4,003,175
Remeasurement of employee benefits assets and obligation, net of taxes	-	(16,950)	-	-	(16,950)	-	(16,950)
Deferred tax on reserves of subsidiary in liquidation	-	(30,504)	-	-	(30,504)	-	(30,504)
Total comprehensive income for the year	-	3,952,538	-	-	3,952,538	3,183	3,955,721
Transactions with owners							
Transfers	-	1,870,762	-	(1,870,762)	-	-	-
Transfer tax paid on intra-group distributions	-	(24,075)	-	-	(24,075)	-	(24,075)
Dividends and distributions (note 23)	-	(3,417,498)	-	-	(3,417,498)	(1,400)	(3,418,898)
Total transactions with owners	-	(1,570,811)	-	(1,870,762)	(3,441,573)	(1,400)	(3,442,973)
Balances at March 31, 2014	121,360	4,050,807	22,322	-	4,194,489	6,734	4,201,223

The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED

Company Statement of Changes in Equity
Year ended March 31, 2014

	Share capital (note 16) $'000	Unappropriated profits $'000	Capital reserves (note 17) $'000	Total $'000
Balances at March 31, 2012	121,360	907,688	22,322	1,051,370
Profit for the year as previously reported	-	6,486,993	-	6,486,993
Impact of change in accounting policy (note 21)	-	(304,010)	-	(304,010)
Profit for the year as restated	-	6,182,983	-	6,182,983
Remeasurement of employee benefit assets and obligations, net of tax	-	236,250	-	236,250
Total comprehensive income for the year	-	6,419,233	-	6,419,233
Dividends and distributions (note 23), being total transactions with owners	-	(5,723,338)	-	(5,723,338)
Balances at March 31, 2013	121,360	1,603,583	22,322	1,747,265
Profit for the year	-	3,202,678	-	3,202,678
Remeasurement of employee benefit asset and obligation, net of tax	-	(16,950)	-	(16,950)
Total comprehensive income for the year	-	3,185,728	-	3,185,728
Dividends and distributions (note 23), being total transactions with owners	-	(3,417,498)	-	(3,417,498)
Balances at March 31, 2014	121,360	1,371,813	22,322	1,515,495

The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED

Group Statement of Cash Flows
Year ended March 31, 2014

	Notes	2014 $'000	2013 $'000 (Restated)*
Cash flows from operating activities			
Profit for the year		4,003,175	6,234,234
Adjustments for:			
Depreciation	15	50,556	46,616
Employee benefits		38,700	216,500
Income tax expense	7	1,181,296	2,618,582
Foreign exchange gains		(88,953)	(160,582)
Gain on disposal of property, plant and equipment		(1,502)	(597)
Investment income earned		(174,719)	(158,294)
		5,008,553	8,796,459
Changes in:			
Accounts receivable		(1,335,532)	23,612
Inventories		103,873	(171,592)
Accounts payable		(196,341)	404,313
Cash generated from operations		3,580,553	9,052,792
Income tax paid		(1,034,233)	(1,946,577)
Net cash provided by operating activities		2,546,320	7,106,215
Cash flows from investing activities			
Resale agreements, net		1,565,043	(732,434)
Investment income received		176,194	153,378
Additions to property, plant and equipment	15	(101,294)	(60,119)
Proceeds of disposal of property, plant and equipment		6,258	600
Net cash provided/(used) by investing activities		1,646,201	(638,575)
Cash flows from financing activities			
Dividends and distributions, being net cash used by financing activities	23	(3,418,898)	(5,723,338)
Net increase in cash and cash equivalents before effect of foreign exchange rate changes		773,623	744,302
Effect of exchange rate changes on cash and cash equivalents		88,953	160,582
Cash and cash equivalents at beginning of year		2,359,459	1,454,575
Cash and cash equivalents at end of year	9	3,222,035	2,359,459

*See note 21
The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED

Company Statement of Cash Flows
Year ended March 31, 2014

	Notes	2014 $'000	2013 $'000 (Restated)*
Cash flows from operating activities			
Profit for the year		3,202,678	6,182,983
Adjustments for:			
Depreciation	15	50,556	47,562
Employee benefits		38,700	216,500
Gain on disposal of property, plant and equipment		(1,502)	(597)
Foreign exchange gains		(35,366)	(105,078)
Income tax expense	7	713,297	2,603,214
Investment income earned		(163,534)	(147,756)
		3,804,829	8,796,828
Changes in:			
Accounts receivable		(460,581)	25,500
Inventories		103,873	(171,592)
Accounts payable		670,775	416,344
Cash generated from operations		4,118,896	9,067,080
Income tax paid		(1,566,123)	(1,943,740)
Net cash provided by operating activities		2,552,773	7,123,340
Cash flows from investing activities			
Investments, net		1,539,452	(741,571)
Investment income received		165,108	141,132
Additions to property, plant and equipment	15	(101,294)	(60,119)
Proceeds of disposal of property, plant and equipment		6,258	600
Net cash provided/(used) by investing activities		1,609,524	(659,958)
Cash flows from financing activities			
Dividends and distributions, being net cash used by financing activities	23	(3,417,498)	(5,723,338)
Net increase in cash and cash equivalents before effect of foreign exchange rate changes		744,799	740,044
Effect of foreign exchange rate changes		35,366	105,078
Cash and cash equivalents at beginning of year		1,850,680	1,005,558
Cash and cash equivalents at end of year	9	2,630,845	1,850,680

*See note 21

The accompanying notes form an integral part of the financial statements.

1. Identification and principal activity

Carreras Limited ("the company") is incorporated and domiciled in Jamaica and is listed on the Jamaica Stock Exchange. It is a 50.4% subsidiary of Rothmans Holdings (Caricom) Limited, which is incorporated in St. Lucia. The ultimate parent company is British American Tobacco plc, incorporated in the United Kingdom and listed on the London Stock Exchange. The principal activities of the company are the marketing and distribution of cigarettes.

The address of the principal place of business and the registered office of the company is Twickenham Park, St. Catherine, Jamaica.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board, and comply with the provisions of the Jamaican Companies Act.

New and revised standards and interpretations that became effective during the year

Certain new IFRS, interpretations of, and amendments to, existing standards which were in issue, came into effect for the current financial year. That which management considered relevant to the company are as follows:

- IAS 1 *Presentation of Financial Statements*, has been amended (effective July 1, 2012). As a result, items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future are presented separately from those that would never be reclassified to profit or loss. Also, the title of the statement has changed from Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income.

- IAS 19 *Employee Benefits* (effective January 1, 2013) has been amended to require all actuarial gains and losses to be recognized immediately in other comprehensive income. It also requires the expected return on plan assets recognized in profit or loss to be calculated based on the rate used to discount the defined benefit obligation. The amendment also includes changes to the definitions and disclosure requirements in the current standard.

  As a result of the amendments to the standard, the expected return on plan assets has been recalculated and the amount is now included in other comprehensive income rather than profit or loss as previously shown. This has resulted in a restatement of the prior year statement of profit or loss and other comprehensive income (see note 21).

- IFRS 10 *Consolidated Financial Statements* (effective January 1, 2014) supersedes IAS 27 *Consolidated and Separate Financial Statements* and provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities. The consolidation procedures are carried forward from IAS 27 (2008). The adoption of this standard had no impact on the financial statements.

2. **Statement of compliance and basis of preparation (cont'd)**

(a) Statement of compliance (cont'd):

- IFRS 13 *Fair Value Measurement,* effective for annual reporting periods beginning on or after January 1, 2013, replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. It defines *fair value* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.

  In accordance with the transitional provisions of IFRS 13, the group applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurement of assets and liabilities in the financial statements.

New and revised standards and interpretations that are not yet effective

At the date of approval of the financial statements, certain new and revised standards and interpretations were in issue but are not yet effective and have not been early-adopted. Management has assessed the relevance of all such new standards, amendments and interpretations with respect to its operations and has concluded as follows:

- IFRS 9 *Financial Instruments,* is effective for annual reporting periods beginning on or after January 1, 2017 (previously January 1, 2015). The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, to present all fair value changes from the investment in other comprehensive income. The standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 *Financial Instruments: Recognition and Measurement* on the recognition and de-recognition of financial assets and financial liabilities.

- Amendments to IAS 36 *Impairment of Assets*: *Recoverable Amount Disclosures for Non-financial Assets* (effective January 1, 2014) reverse the unintended requirement in IFRS 13 *Fair Value Measurement*, to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. The amendment requires the recoverable amount to be disclosed only when an impairment loss has been recognised or reversed.

- Amendments to IFRS 10 *Consolidated Financial Statements,* IFRS 12 *Disclosure of interest in Other Entities and* IAS 27 *Consolidated and Separate Financial Statements* (effective January 1, 2014). The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss, instead of consolidating those subsidiaries in its financial statements. In addition, the amendments introduce new disclosure requirements related to investment entities in IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate financial Statements.

2. **Statement of compliance and basis of preparation (cont'd)**

(a) Statement of compliance (cont'd):

- Improvements to IFRS 2010-2012 and 2011-2013 cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after July 1, 2014. The main amendments applicable to the company are as follows:

  – IFRS 13 *Fair Value Measurement* is amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

  – IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets.* The standards have been amended to clarify that, at the date of revaluation:

    (i) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation (amortization) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses or

    (ii) the accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.

  – IAS 24 *Related Party Disclosures* has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

Management is assessing the impact, if any, that the amendments and new standards will have on its 2015-18 financial statements.

(b) Basis of preparation:

The financial statements are presented on the historical cost basis. Unless otherwise stated, the financial statements are presented in thousands of Jamaica dollars ($'000), which is the functional currency of the company.

(c) Accounting estimates and judgements:

The preparation of the financial statements in conformity with IFRS and the Act requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of, and disclosures related to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. The estimates and associated assumptions are based on historical experience and/or various other factors that are believed to be reasonable under the circumstances. Actual amounts could differ from these estimates.

2. **Statement of compliance and basis of preparation (cont'd)**

(c) Accounting estimates and judgements (cont'd):

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty:

- Employee benefits:

  The amounts recognised in the statement of financial position and statement of comprehensive income for pension and other post-employment benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-employment obligations and the expected rate of increase in medical costs for post-employment medical benefits.

  Any changes in these assumptions would impact the amounts recorded in the financial statements for these obligations.

- Allowance for losses:

  In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that there may be a measurable decrease in the estimated future cash flows from resale agreements and receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows of impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

It is reasonably possible that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

3. **Significant accounting policies**

(a) Basis of consolidation:

Subsidiaries are entities controlled by the company. Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements combine the financial position of the company and its subsidiaries as at March 31, 2014 and their results of operations and cash flows for the year then ended, after eliminating significant intra-group amounts. The company and its subsidiaries are collectively referred to in the financial statements as "the Group".

3. **Significant accounting policies (cont'd)**

(b) Cash and cash equivalents:

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes. The amounts included are short-term fixed deposits.

(c) Resale agreements:

Securities purchased under resale agreements ('resale agreements') are short-term transactions in which the group makes funds available to other parties and in turn receives securities which it agrees to resell on a specified date at a specified price. Resale agreements are accounted for as short-term collateralised lending, and carried at amortised cost.

The difference between the purchase and resale consideration is recognised over the period of the contract using the effective interest method and is included in interest income.

(d) Accounts receivable:

Trade and other receivables are stated at amortised cost, less impairment losses.

(e) Inventories:

Inventories comprising finished products are valued at the lower of cost, determined principally on the weighted average cost basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(f) Accounts payable:

Accounts payable are stated at amortised cost.

A provision is recognised in the statement of financial position when the group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(g) Investment in subsidiaries:

The company's investment in subsidiaries is stated at cost.

(h) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

3. **Significant accounting policies (cont'd)**

(h) Related parties (cont'd):

(i) A person or a close member of that person's family is related to a reporting entity if that person:

(a) has control or joint control over the reporting entity;

(b) has significant influence over the reporting entity; or

(c) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;

(ii) An entity is related to a reporting entity if any of the following conditions applies:

(a) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(f) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(g) The entity is controlled, or jointly controlled, by a person identified in (i).

(h) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

The company has related party relationships with its ultimate parent company, British American Tobacco plc (BAT) and other subsidiaries and affiliates of the BAT Group, its subsidiaries, directors and key management personnel and companies with common directors. "Key management personnel" comprises the group's leadership team which includes executive directors and specified senior officers.

(i) Property, plant and equipment:

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the group and its cost can be reliably measured.

3. **Significant accounting policies (cont'd)**

(i) Property, plant and equipment (cont'd):

The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

With the exception of freehold land, on which no depreciation is provided, property, plant and equipment are depreciated on the straight-line basis over the estimated useful lives of such assets, at the following annual rates:

Buildings	1.4% to 2.5%
Leasehold improvements	8% to 11%
Machinery, furniture and equipment	3.3% to 33.3%
Motor vehicles	20% to 33.3%

The depreciation methods, useful lives and residual values are reassessed annually at each reporting date.

(j) Income tax:

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

(i) Current income tax:

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

(ii) Deferred income tax:

Deferred income tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. The group's monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Jamaica dollars at the rates of exchange ruling at that date. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

(l) Revenue recognition:

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and sales taxes.

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, receipt of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing involvement with the goods.

3. **Significant accounting policies (cont'd)**

(m) Other operating income:

Other operating income includes interest income, gains on disposal of property, plant and equipment and refund of pension surplus. Interest income is recognised as it accrues, using the effective interest method.

(n) Leases:

Payments made under operating leases are recognised in profit or loss on the straight-line basis over the term of the lease.

(o) Employee benefits:

Employee benefits comprising pensions and other post-employment assets and obligations included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the group's and the company's post-employment benefits assets and obligations as computed by the actuary. In carrying out their audit, the auditors make use of the work of the actuary and the actuary's report.

(i) Pension assets:

The company and its subsidiaries are participating employers in a pension scheme, the assets of which are held separately from those of the group, and remain under the full control of the appointed trustees.

The group's net obligation in respect of its defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any scheme assets is deducted. To the extent that the obligation is less than the fair value of scheme assets, the asset recognised is restricted to the discounted value of unconditional future benefits available to the group in the form of any future refunds from the scheme or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements. The discount rate applied is the yield at the reporting date on long-term government instruments that have maturity dates approximating the terms of the group's obligation. The calculation is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The company determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Obligations for contributions to defined contribution pension schemes are recognised as an expense in profit or loss as incurred.

3. **Significant accounting policies (cont'd)**

(o) Employee benefits (cont'd):

(ii) Other post-retirement health and group life insurance benefits:

The group provides post-retirement health care and group life insurance benefits, which are not entitlements, to certain of its retirees. These benefits are usually conditional upon the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans and the present value of future benefits at the reporting date is shown as an obligation on the statement of financial position.

Actuarial gains and losses are recognised in a manner similar to the defined benefit pension plan.

(iii) Other employee benefits:

Employee leave entitlements are recognised as they accrue to employees. A provision is made for the estimated liability for vacation and sick leave, as a result of services rendered by employees up to the reporting date.

(p) Impairment:

The carrying amounts of the group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of investments in loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. An impairment loss in respect of an available-for-sale investment is calculated by reference to its current fair value. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

3. **Significant accounting policies (cont'd)**

(p) Impairment (cont'd):

(ii) Reversals of impairment (cont'd):

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversal of impairment losses is recognised in profit or loss, except for available-for-sale equity securities, which is recognised in other comprehensive income.

(q) Determination of profit or loss:

Profit is determined as the difference between the revenues from the goods and services rendered and the costs and other charges incurred during the year. Profits on transactions are taken in the year in which they are realised. A transaction is realised at the moment of delivery. Losses are taken in the year in which they are realised or determinable.

(r) Segment reporting:

A segment is a distinguishable component of the group that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The group's activities are limited to the distribution of cigarettes to Jamaican consumers, operating in a single segment As such no segment information is provided.

(s) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents and accounts receivable. Similarly, financial liabilities mainly comprise accounts payable.

(t) Fair value:

Definition of fair value:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument.

Determination of fair value:

The company's financial instruments lack an available trading market. The fair value of all financial instruments included in current assets and current liabilities are considered to approximate their carrying values, due to their short-term nature. The fair values of amounts due from and due to subsidiary companies are assumed to approximate carrying values. The fair value of the underlying securities of resale agreements is based on the bid price of the securities at the end of the reporting period.

(u) Dividends and distributions:

Dividends and distributions are recognised in the period in which they are declared.

4. Operating revenue

Operating revenue for the group and the company represents the invoiced value of products and services sold and includes special consumption tax aggregating $4,342,554,000 (2013: $6,004,787,000).

5. Other operating income

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Interest income:				
Cash and cash equivalents	172,845	80,354	163,534	71,426
Resale agreements	1,874	77,940	-	76,330
Exchange gains	88,953	160,580	35,366	105,076
Gain on disposal of property, plant and equipment	1,502	597	1,502	597
Refund of pension surplus*	-	5,083,600	-	5,083,600
Intra-group capital distribution, net	-	-	574,656	-
Unclaimed dividends written back	67,304	-	67,304	-
Interest on tax recoverable (note 26)*	1,787,365	-	-	-
Miscellaneous income	52,509	45,816	52,509	5,448
	2,172,352	5,448,887	894,871	5,342,477

*Non-routine transactions (see note 8).

6. Profit before income tax

The following are among the items charged in arriving at profit before income tax:

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Depreciation	50,556	46,615	50,556	47,562
Auditors' remuneration	6,731	6,171	6,159	5,599
Directors' emoluments:				
Fees	6,099	6,028	6,099	6,028
Management remuneration	42,570	44,617	42,570	44,617

7. Income tax

The Group:

(a) Income tax is computed at 25% (2013: 30%) of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	2014	2013
	$'000	$'000
Current:		
Provision for charge on current year's profit	1,067,255	2,685,383
Adjustment in respect of prior year's provision	(105,198)	8,140
	962,057	2,693,523
Deferred:		
Origination and reversal of temporary differences (note 18)	219,239	(74,941)
	1,181,296	2,618,582

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2014

7. **Income tax (cont'd)**

(b) Reconciliation of effective tax rate and charge:

The Group (cont'd):

	2014 $'000	2013 $'000
Profit before taxation	5,184,471	8,852,816
Computed "expected" tax charge at 25% (2013: 30%)	1,296,118	2,655,845
Taxation difference between profit for financial statements and tax reporting purposes on –		
Effect of tax losses	304	404
Depreciation and capital allowances	11,238	(8,531)
Gain on sale of investments and fixed assets	(668)	(180)
Foreign exchange gains	6,949	(38,703)
Prior year (under)/over provision	(105,198)	8,140
Capital income	(16,826)	-
Effect of change in tax rate	(30,045)	2,492
Other adjustments	19,424	(885)
Actual tax charge	1,181,296	2,618,582
Effective tax rate	22.79%	29.58%

(c) At March 31, 2014 taxation losses in subsidiaries, subject to agreement by Tax Administration Jamaica, amounted to approximately $778,710,000 (2013: $838,768,000).

The Company:

(d) Income tax is computed at 25% (2013: 30%) of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	2014 $'000	2013 $'000
Current:		
Provision for charge on current year's profit	828,499	2,669,901
Adjustment in respect of prior year's provision	(105,198)	8,140
	723,301	2,678,041
Deferred:		
Origination and reversal of temporary differences (note 18)	(10,004)	(74,827)
	713,297	2,603,214

(e) Reconciliation of effective tax rate and charge:

	2014 $'000	2013 $'000
Profit before taxation	3,915,975	8,786,197
Computed "expected" tax charge at 25% (2013: 30%)	978,994	2,635,859
Taxation difference between profit for financial statements and tax reporting purposes on –		
Depreciation and capital allowances	11,238	(8,531)
Gain on sale of investments and fixed assets	(668)	(180)
Unrealised foreign exchange gains	-	(28,346)
Prior year (over)/under provision	(105,198)	8,140
Effect of change in tax rate	(30,003)	(3,129)
Capital income	(141,066)	(599)
Actual tax charge	713,297	2,603,214
Effective tax rate	18.22%	29.63%

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2014

8. Earnings per ordinary stock unit

Earnings per ordinary stock unit is calculated by dividing the profit attributable to stockholders by the 485,440,000 stock units in issue in both 2014 and 2013, as follows:

	2014	2013
	$'000	$'000
Profit for the year attributable to stockholders from normal operations	2,659,468	2,675,539
Effect of non-routine transactions (see note 5), net of tax	1,340,524	3,558,520
	3,999,992	6,234,059

9. Cash and cash equivalents

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Demand and call deposits	1,487,961	1,840,483	903,538	1,382,767
Short-term fixed deposits	1,734,074	518,976	1,727,307	467,913
	3,222,035	2,359,459	2,630,845	1,850,680

10. Resale agreements

As at March 31, 2014, the market value of the underlying securities, all of which are Government of Jamaica securities, was $Nil and $Nil (2013: $1,593,377,327 and $1,567,693,735) for the group and the company, respectively.

11. Accounts receivable

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade accounts receivable	595,002	129,356	595,002	129,356
Interest receivable	10,149	11,624	10,004	11,578
Interest receivable on tax recoverable (note 26)	875,365	-	-	-
Prepayments	47,127	15,900	47,127	15,900
Other receivables and advances:				
Pension scheme	-	5,792	-	5,792
Other related parties	122,915	110,061	122,915	110,061
Other	9,107	50,172	8,055	48,706
	1,659,665	322,905	783,103	321,393
Less: Allowance for impairment losses	(10,291)	(7,588)	(10,291)	(7,588)
	1,649,374	315,317	772,812	313,805

During the year, net bad debts recognised in profit or loss aggregated $2,703,000 (2013: $1,957,000) for the group and the company.

The group and the company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 22.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2014

12. Income tax recoverable

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Taxes withheld	359,723	117,437	47,033	35,928
Income tax recoverable (note 26)	945,991	-	-	-
	1,305,714	117,437	47,033	35,928

13. Accounts payable

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade accounts payable	82,009	106,069	82,009	106,069
General consumption tax payable	46,831	73,283	46,831	73,283
Related parties	127,191	370,217	998,337	369,707
Employee related	113,581	53,624	113,581	53,624
Unclaimed dividends	655,961	695,811	653,912	694,546
Other	160,800	83,710	148,441	75,107
	1,186,373	1,382,714	2,043,111	1,372,336

Article 117 of the Articles of Association provides that dividends declared after the date of adoption of this Article which remain unclaimed after a period of twelve years from the date of declaration shall be forfeited and revert to the Company.

14. Employee benefits (asset)/obligation

The Carreras Group Limited Superannuation Scheme ("the old scheme") was discontinued with effect from December 31, 2006 and is being wound up in accordance with the rules, applicable legislation and subject to the oversight of the Financial Services Commission ("FSC"). Benefit improvements have been agreed for the pensioners, deferred pensioners and active members of the old scheme.

A replacement fund, the Carreras Limited Superannuation Fund ("the new fund") was established with effect from January 1, 2007. The new fund is divided into two sections – a defined benefit (DB) section and a defined contribution (DC) section. The employees who were members of the old scheme are now participating in the DB section of the new fund whilst the individuals employed after December 31, 2006, are participating in the DC section of the new fund.

The liabilities in respect of current pensioners and deferred pensioners, who opted to transfer the value of their pension entitlement in the old scheme to the DB section of the new fund to provide for all future pension payments, have been transferred to the DB section. The liabilities in respect of the active members who became members of the new fund and opted to transfer the total or a part of their past service to the new fund have also been transferred.

The amounts recognised in the statements of financial position in respect of retirement benefits are as follows:

	The Group and the Company	
	2014	2013
	$'000	$'000
Pension benefits	(349,300)	(409,500)
Post employment health and group life insurance benefits	194,100	193,000

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2014

14. **Employee benefits (asset)/obligation (cont'd)**

The amounts recognised are computed as follows:

(i) Pension benefits:

(a) Asset recognised in the statement of financial position:

	The Group and the Company	
	2014	2013
	$'000	$'000
Present value of funded obligations	2,680,700	2,423,600
Fair value of plan assets	(3,806,600)	(3,759,400)
Present value of net obligations	(1,125,900)	(1,335,800)
Unrecognised amount due to limitation	776,600	926,300
Asset recognised in statement of financial position	(349,300)	(409,500)

(b) Movements in the net asset recognised in the statement of financial position:

	The Group and the Company	
	2014	2013
	$'000	$'000
Net asset at beginning of the year	(409,500)	(268,200)
Contributions paid	(6,900)	(7,800)
Refund from old scheme	77,700	-
Expenses recognised in the statement of profit or loss and other comprehensive income	(10,600)	(133,500)
Net asset at end of the year	(349,300)	(409,500)

(c) Movements in plan assets:

	The Group and the Company	
	2014	2013
	$'000	$'000
Fair value of plan assets at beginning of the year	3,759,400	8,938,000
Interest income on plan assets	364,800	670,300
Contributions paid	16,100	17,900
Benefits paid	(200,000)	(292,300)
Distribution of surplus	-	(5,083,600)
Refund from old scheme	(77,700)	-
Remeasurement loss on assets	(56,000)	(490,900)
Fair value of plan assets at end of the year	3,806,600	3,759,400

	The Group and the Company	
	2014	2013
	$'000	$'000
Plan assets consist of the following:		
Equities	530,300	454,200
Real property	571,700	577,200
Resale agreements	2,700,800	2,650,500
Leased assets	1,900	5,100
Net current assets	1,900	72,400
	3,806,600	3,759,400

14. **Employee benefits (asset)/obligation (cont'd)**

(i) Pension benefits (cont'd):

(d) Expenses recognised in profit for the year:

	The Group and the Company	
	2014	2013
	$'000	$'000 (Restated)*
Current service costs	25,800	23,700
Interest cost on obligation	235,600	220,300
Interest income on assets	(364,800)	(670,300)
Interest on effect of asset ceiling	92,600	635,400
Gain on curtailment	(30,600)	-
	(41,400)	209,100

(e) Remeasurements recognised in other comprehensive income:

	2014	2013
	$'000	$'000 (Restated)*
Change in effect of asset ceiling	(242,300)	(979,400)
Remeasurement loss on plan assets	56,000	490,900
Remeasurement loss on obligation	217,100	145,900
	30,800	(342,600)

(f) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2014	2013
	%	%
Discount rate	9.5	10.0
Future salary increases	6.5	6.5
Future pension increases	5.5	5.5

Assumptions regarding future mortality are based on PA (90) Tables with ages reduced by six years.

(g) Plan assets include ordinary stock units issued by the company with a fair value of $107,554,000 (2013: $153,715,000).

(ii) Post employment health and group life insurance benefits:

(a) Liability recognised in the statement of financial position:

	The Group and the Company	
	2014	2013
	$'000	$'000
Present value of funded obligations, being liability recognised in statement of financial position	194,100	193,000

*See note 21

14. **Employee benefits (asset)/obligation (cont'd)**

(ii) Post employment health and group life insurance benefits (cont'd):

(b) Movements in the net liability recognised in the statement of financial position:

	The Group and the Company	
	2014	2013
	$'000	$'000
Net liability at the beginning of the year	193,000	172,700
Contributions paid	(9,500)	(8,800)
Expense recognised in the statement of profit or loss and other comprehensive income	10,600	29,100
Net liability at the end of the year	194,100	193,000

(c) Expense recognised in profit for the year:

	The Group and the Company	
	2014	2013
	$'000	$'000
Current service costs	7,000	6,500
Interest on obligation	19,300	17,500
Gain on curtailment	(7,500)	-
	18,800	24,000

(d) Remeasurements recognised in other comprehensive income:

	The Group and the Company	
	2014	2013
	$'000	$'000
Remeasurement (gain)/loss on obligation	(8,200)	5,100

(e) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2014	2013
	%	%
Discount rate	9.5	10.0
Annual increase in health-care costs	8.0	9.0

(f) Reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	The Group and the Company	
	One percentage point increase	One percentage point decrease
	2014	2014
	$'000	$'000
Discount rate	169,700	225,100
Medical cost trend rate	216,900	162,800
Future salary growth	7,900	7,100

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2014

15. Property, plant and equipment

The Group:

	Freehold land $'000	Buildings and leasehold improvements $'000	Work-in-progress, machinery, furniture, equipment and vehicles $'000	Total $'000
Cost:				
March 31, 2012	342	93,631	347,554	441,527
Additions	-	4,567	55,552	60,119
Disposals and write offs	-	-	(21,200)	(21,200)
March 31, 2013	342	98,198	381,906	480,446
Additions	-	101,294	-	101,294
Disposals and write offs	-	(280)	(21,231)	(21,511)
March 31, 2014	342	199,212	360,675	560,229
Depreciation:				
March 31, 2012	-	49,748	246,629	296,377
Charge for the year	-	6,235	40,381	46,616
Eliminated on disposals	-	-	(21,197)	(21,197)
March 31, 2013	-	55,983	265,813	321,796
Charge for the year	-	6,530	44,026	50,556
Eliminated on disposals	-	-	(16,755)	(16,755)
March 31, 2014	-	62,513	293,084	355,597
Net book values:				
March 31, 2014	342	136,699	67,591	204,632
March 31, 2013	342	42,215	116,093	158,650

The Company:

	Freehold land and buildings $'000	Work-in-progress $'000	Machinery, furniture, equipment and vehicles $'000	Total $'000
Cost:				
March 31, 2012	84,616	24,087	275,592	384,295
Additions	-	60,119	-	60,119
Transfers	4,567	(81,663)	77,096	-
Disposals	-	-	(21,200)	(21,200)
March 31, 2013	89,183	2,543	331,488	423,214
Additions	-	101,294	-	101,294
Transfers	15,550	(87,243)	71,693	-
Disposals	-	(280)	(21,231)	(21,511)
March 31, 2014	104,733	16,314	381,950	502,997

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2014

15. **Property, plant and equipment (cont'd)**

The Company (cont'd):

	Freehold land and buildings $'000	Work-in-progress $'000	Machinery, furniture, equipment and vehicles $'000	Total $'000
Depreciation:				
March 31, 2012	42,905	-	188,257	231,162
Charge for the year	6,235	-	41,327	47,562
Eliminated on disposals	-	-	(21,197)	(21,197)
March 31, 2013	49,140	-	208,387	257,527
Charge for the year	6,530	-	44,026	50,556
Eliminated on disposals	-	-	(16,755)	(16,755)
March 31, 2014	55,670	-	235,658	291,328
Net book values:				
March 31, 2014	49,063	16,314	146,292	211,669
March 31, 2013	40,043	2,543	123,101	165,687

16. **Share capital**

	2014 $'000	2013 $'000
Authorised:		
485,440,000 (2013: 485,440,000) ordinary shares of no par value		
Stated:		
Issued and fully paid:		
485,440,000 (2013: 485,440,000) stock units of no par value	121,360	121,360

17. **Other reserves**

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
(a) Capital	22,322	22,322	22,322	22,322
(b) Other	-	1,870,762	-	-
	22,322	1,893,084	22,322	22,322

(a) This represents residual capital distribution on which transfer tax has been paid.

(b) This represents pre-acquisition reserves arising upon consolidation of a subsidiary. The amount was made available for distribution net of transfer tax consequent on the settlement agreement disclosed in note 26 and was transferred to unappropriated profits during the year.

18. **Deferred tax asset/(liability)**

(a) Deferred tax assets and liabilities are attributable to the following:

The Group:

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax on reserves of subsidiary in liquidation	-	-	(115,320)	(84,816)	(115,320)	(84,816)
Accounts payable	3,130	3,749	-	-	3,130	3,749
Property, plant and equipment	4,029	11,903	-	-	4,029	11,903
Employee benefits	48,525	57,900	(87,325)	(122,850)	(38,800)	(64,950)
Accounts receivable	-	-	(221,378)	(3,500)	(221,378)	(3,500)
Unrealised foreign exchange gain	-	-	(13,368)	-	(13,368)	-
	55,684	73,552	(437,391)	(211,166)	(381,707)	(137,614)

The Company:

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Accounts payable	3,130	3,749	-	-	3,130	3,749
Property, plant and equipment	4,029	11,903	-	-	4,029	11,903
Employee benefits	48,525	57,900	(87,325)	(122,850)	(38,800)	(64,950)
Accounts receivable	-	-	(2,501)	(3,472)	(2,501)	(3,472)
Unrealised foreign exchange gain	-	-	(2,974)	-	(2,974)	-
	55,684	73,552	(92,800)	(126,322)	(37,116)	(52,770)

(b) Movements in temporary differences during the year are as follows:

The Group:

	2014			
	Balance at 31.03.13	Recognised in equity	Recognised in income	Balance at 31.03.14
	$'000	$'000	$'000	$'000
Deferred tax on reserves of subsidiary in liquidation	(84,816)	(30,504)	-	(115,320)
Accounts payable	3,749	-	(619)	3,130
Property, plant and equipment	11,903	-	(7,874)	4,029
Employee benefits	(64,950)	5,650	20,500	(38,800)
Accounts receivable	(3,500)	-	(217,878)	(221,378)
Unrealised foreign exchange gain	-	-	(13,368)	(13,368)
	(137,614)	(24,854)	(219,239)	(381,707)

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2014

18. **Deferred tax asset/(liability) (cont'd)**

(b) Movements in temporary differences during the year are as follows (cont'd):

The Group (cont'd):

	2013			
	Balance at 31.03.12 $'000	Recognised in equity $'000	Recognised in income $'000	Balance at 31.03.13 $'000
Deferred tax on reserves of subsidiary in liquidation	(81,814)	(3,002)	-	(84,816)
Accounts payable	2,199	-	1,550	3,749
Property, plant and equipment	4,937	-	6,966	11,903
Employee benefits	(31,833)	(101,250)	68,133	(64,950)
Accounts receivable	(1,792)	-	(1,708)	(3,500)
	(108,303)	(104,252)	74,941	(137,614)

The Company:

	2014			
	Balance at 31.03.13 $'000	Recognised in equity $'000	Recognised in income $'000	Balance at 31.03.14 $'000
Accounts payable	3,749	-	(619)	3,130
Property, plant and equipment	11,903	-	(7,874)	4,029
Employee benefits	(64,950)	5,650	20,500	(38,800)
Accounts receivable	(3,472)	-	971	(2,501)
Unrealised foreign exchange gain	-	-	(2,974)	(2,974)
	(52,770)	5,650	10,004	(37,116)

	2013			
	Balance at 31.03.12 $'000	Recognised in equity $'000	Recognised in income $'000	Balance at 31.03.13 $'000
Accounts payable	2,199	-	1,550	3,749
Property, plant and equipment	4,937	-	6,966	11,903
Employee benefits	(31,833)	(101,250)	68,133	(64,950)
Accounts receivable	(1,650)	-	(1,822)	(3,472)
	(26,347)	(101,250)	74,827	(52,770)

(c) The group has not recognised a deferred tax asset arising in subsidiaries amounting to $194,677,000 (2013: $251,631,000) in respect of unutilised tax losses of subsidiaries because it is not probable that the subsidiaries will have sufficient taxable profits in the foreseeable future to realise this benefit (see note 7).

19. Related party transactions

The financial statements include the following transactions with related parties in the ordinary course of business.

	The Group and the Company	
	2014	2013
	$'000	$'000
Purchases from related companies - cigarettes	461,830	550,971
Technical fees paid to ultimate parent company	147,935	150,417
Technical fees paid to other related company	314,844	380,003
IT support fees paid to other related company	90,068	78,300
Pension schemes:		
Lease of motor vehicles	11,408	12,755
Dividends paid	21,621	132,524
Key management personnel:		
Short-term employee benefits	99,112	99,555
Post-employment benefits	2,455	5,251
Other long-term benefits	16,747	3,539

All related party transactions were undertaken in the normal course business.

20. Staff costs

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Salaries and related costs	469,702	486,631	469,702	486,631
Statutory payroll contributions	42,084	39,174	42,084	39,174
	511,786	525,805	511,786	525,805
Cost of post-retirement benefits, net	(13,206)	242,876*	(13,206)	242,876*
	498,580	768,681	498,580	768,681

*Restated – See note 21

21. Prior year adjustment

As indicated in note 2(a), the Group adopted IAS 19 *Employee Benefits Revised*. The change in accounting policy was applied retrospectively. The effects of the adjustments are detailed below:

(a) Effect on profit or loss for the year ended March 31, 2013:

	Group and Company
	$'000
Employee benefit income	434,300
Deferred tax	(130,290)
Decrease in profit for the year	304,010

21. **Prior year adjustment (cont'd)**

(b) Effect on other comprehensive income for the year ended March 31, 2013.

	Group and Company
	$'000
Remeasurement gain recognised in other comprehensive income	(434,300)
Deferred tax on remeasurement gain	130,290
Increase in other comprehensive income	(304,010)

There was no impact arising on the statement of financial position from these adjustments as there were no prior year unrecognised gains or losses.

22. **Financial instruments and risk management**

The group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's and the company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the group's and the company's risk management framework. Senior management has responsibility for monitoring the group's risk management policies and report to delegates of the Board of Directors on its activities, on a monthly basis.

The risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed on a regular basis and reflect changes in market conditions and the group's activities.

(i) Credit risk:

Credit risk is the risk of loss arising from a counterparty to a financial contract failing to discharge its obligations, and arises principally from the group's receivables from customers, cash and investment securities.

The maximum exposure to credit risk at the reporting date is represented by the carrying value of its financial assets.

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has established a credit policy under which each customer is analysed for creditworthiness prior to being offered a credit facility. Each customer is given a credit period which represents the maximum time allowed for having balances outstanding; these are reviewed monthly. Management has procedures in place to restrict customer orders if the customers have not cleared outstanding debts within the credit period. Customers that fail to meet the group's benchmark creditworthiness may transact business with the group on a cash basis.

Credit risk is monitored according to each customer's characteristics, such as whether it is an individual or company, its geographic location, industry, aging profile, and financial history.

22. **Financial instruments and risk management (cont'd)**

(i) Credit risk (cont'd):

Trade receivables (cont'd)

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables.

The group's average credit period on the sale of goods is 28 days for certain established large customers and 7 days for other customers. Trade receivables over 90 days are reviewed and an allowance recognised for impairment for based on an estimate of amounts that would not be recoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	The Group and the Company	
	2014	2013
	$'000	$'000
Wholesale customers	365,499	45,399
Retail customers	219,212	76,369
	584,711	121,768

The age of trade receivables at the reporting date was:

	The Group and the Company			
	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
	$'000	$'000	$'000	$'000
Not past due	506,881	-	44,921	-
Past due 7-30 days	66,332	-	73,330	-
Past due 31-365 days	13,123	(1,625)	3,735	(1,048)
More than one year	8,666	(8,666)	7,370	(6,540)
	595,002	(10,291)	129,356	(7,588)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2014	2013
	$'000	$'000
Balance at 1 April	7,588	5,631
Impairment loss recognised	2,703	1,957
Balance at 31 March	10,291	7,588

Cash and investments

Management has an investment policy in place and the group's and the company's exposure to credit risk is monitored on an ongoing basis. Cash and investments are held with financial institutions which management considers to be sound and financially strong. As it regards securities purchased under resale agreements, management has a policy of obtaining collateral in the form of pledged Government of Jamaica instruments.

22. **Financial instruments and risk management (cont'd)**

(ii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(a) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

At the reporting date the interest profile of the company's and the group's interest-bearing financial instruments was:

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Variable rate instruments:				
Cash and cash equivalents	3,222,035	1,962,025	2,630,845	1,474,820
Resale agreements	-	1,565,043	-	1,539,452

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2014			
	The Group Profit and Equity		The Company Profit and Equity	
	2% Increase	1% Decrease	2% Increase	1% Decrease
	$'000	$'000	$'000	$'000
Cash and cash equivalents	64,441	(32,220)	52,617	(26,308)
Resale agreements	-	-	-	-

	2013			
	The Group Profit and Equity		The Company Profit and Equity	
	1% Increase	1% Decrease	1% Increase	1% Decrease
	$'000	$'000	$'000	$'000
Cash and cash equivalents	31,240	(19,620)	29,496	(14,748)
Resale agreements	31,301	(15,650)	30,789	(15,395)

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2014

22. **Financial instruments and risk management (cont'd)**

(ii) Market risk (cont'd):

(b) Foreign currency risk:

The group incurs foreign currency risk primarily on purchases that are denominated in a currency other than the Jamaica dollar. The principal foreign currency risks of the group, represented by balances in the respective currencies, are as follows:

The Group:

	2014		2013	
	US$ '000	GBP (£) '000	US$ '000	GBP (£) '000
Cash and cash equivalents	9,376	158	13,750	917
Resale agreements	-	-	478	-
Related party receivables	1,122	-	1,113	-
Other receivables	3	-	7	-
Related party payables	(784)	(232)	(1,746)	(1,033)
Other payables	(11)	-	(127)	(120)
Exposure, net	9,706	(74)	13,475	(236)

The Company:

	2014		2013	
	US$ '000	GBP (£) '000	US$ '000	GBP (£) '000
Cash and cash equivalents	4,693	13	9,105	774
Resale agreements	-	-	478	-
Related party receivables	1,122	-	1,113	-
Other receivables	3	-	7	-
Related party payables	(784)	(232)	(1,746)	(1,033)
Other payables	(11)	-	(72)	(117)
Exposure, net	5,023	(219)	8,885	(376)

Sensitivity analysis

Strengthening or weakening of the currencies against the Jamaica dollar would have increased profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

The Group:

	2014		2013	
	Increase/(decrease) in profit		Increase/(decrease) in profit	
	1% Strengthening $'000	10% Weakening $'000	1% Strengthening $'000	10% Weakening $'000
US ($)	10,635	(106,353)	13,325	(133,254)
GBP (£)	(135)	1,348	(358)	3,583

22. **Financial instruments and risk management (cont'd)**

(ii) Market risk (cont'd):

(b) Foreign currency risk (cont'd):

Sensitivity analysis (cont'd)

The Company:

	2014		2013	
	Increase/(decrease) in profit		Increase/(decrease) in profit	
	1% Strengthening $'000	10% Weakening $'000	1% Strengthening $'000	10% Weakening $'000
US ($)	5,503	(55,031)	8,786	(87,858)
GBP (£)	(399)	3,992	(571)	5,713

Exchange rates, in terms of Jamaica dollars, were as follows:

	US$	£
At March 31, 2013:	98.8865	151.9019
At March 31, 2014:	109.5744	181.7720
At May 28, 2014:	111.2611	185.8522

(iii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity problems may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed facilities. The group manages its liquidity risk by maintaining a substantial portion of its financial assets in liquid form. An analysis of the contractual maturities of the group's and the company's financial liabilities is presented below. The analysis provided is by estimating timing of the amounts recognised in the statement of financial position.

The following are the contractual maturities of financial liabilities:

The Group:

	Contractual undiscounted cash flows		
	Carrying amount $'000	Total cash outflow $'000	Within 1 year $'000
At March 31, 2014:			
Trade accounts payable	82,009	82,009	82,009
General Consumption Tax payable	46,831	46,831	46,831
Due to related parties	127,191	127,191	127,191
Employee related	113,581	113,581	113,581
Unclaimed dividends	655,961	655,961	655,961
Other payables	160,800	160,800	160,800
	1,186,373	1,186,373	1,186,373

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2014

22. **Financial instruments and risk management (cont'd)**

(iii) Liquidity risk (cont'd):

The Group (cont'd):

	Contractual undiscounted cash flows		
	Carrying amount $'000	Total cash outflow $'000	Within 1 year $'000
At March 31, 2013:			
Trade accounts payable	106,069	106,069	106,069
General Consumption Tax payable	73,283	73,283	73,283
Due to related parties	370,217	370,217	370,217
Employee related	53,624	53,624	53,624
Unclaimed dividends	695,811	695,811	695,811
Other payables	83,710	83,710	83,710
	1,382,714	1,382,714	1,382,714

The Company:

	Contractual undiscounted cash flows		
	Carrying amount $'000	Total cash outflow $'000	Within 1 year $'000
At March 31, 2014:			
Trade accounts payable	82,009	82,009	82,009
General Consumption Tax payable	46,831	46,831	46,831
Due to related parties	998,337	998,337	998,337
Employee related	113,581	113,581	113,581
Unclaimed dividends	653,912	653,912	653,912
Other payables	148,441	148,441	148,441
	2,043,111	2,043,111	2,043,111
At March 31, 2013:			
Trade accounts payable	106,069	106,069	106,069
General Consumption Tax payable	73,283	73,283	73,283
Due to related parties	369,707	369,707	369,707
Employee related	53,624	53,624	53,624
Unclaimed dividends	694,546	694,546	694,546
Other payables	75,107	75,107	75,107
	1,372,336	1,372,336	1,372,336

(iv) Capital management:

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders. The Board of Directors monitors the return on capital, which the group defines as net operating income divided by total shareholders' equity.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

22. Financial instruments and risk management (cont'd)

(iv) Capital management (cont'd):

There were no changes in the group's approach to capital management during the year. Also, the group is not exposed to any externally imposed capital requirements.

(v) Fair value disclosure:

Due to their short term nature, the amounts reflected in the financial statements for cash and cash equivalents, resale agreements, accounts receivable, related party balances, and accounts payable are considered to approximate to their fair values. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement.

23. Dividends and distributions

	2014 $'000	2013 $'000
Declared and paid:		
First quarter ended June 30, 2013		
Special interim distribution June 20, 2013 - 94¢	456,314	-
Ordinary - 130¢ (2012: 120¢)	631,072	582,528
Second quarter ended September 30, 2013		
Ordinary 100¢ (2012: 150¢)	485,440	728,160
Third quarter ended December 31, 2013		
Special interim distribution October 30, 2012 - 519¢	-	2,519,434
Ordinary - 100¢ (2012: 130¢)	485,440	631,072
Fourth quarter ended March 31, 2014		
Special interim distribution January 30, 2014 - 118¢ (2013 - 120¢)	572,819	582,528
Ordinary - 162¢ (2013: 140¢)	786,413	679,616
Total dividends to stockholders	3,417,498	5,723,338
Distribution to non-controlling interests	1,400	-
	3,418,898	5,723,338

24. Subsidiary companies

The subsidiary companies, all of which are incorporated in Jamaica, are as follows:

Name of company	Principal activity	Percentage of ordinary shares held by Company 2014 %	Company 2013 %	Subsidiary 2014 %	Subsidiary 2013 %
Cigarette Company of Jamaica Limited (In Voluntary Liquidation)	Inactive (voluntary liquidation in process)	99.99	99.99	-	-
Sans Souci Development Limited and its subsidiary,	Dormant	100.00	100.00	-	-
Sans Souci Limited	Dormant	-	-	100.00	100.00

25. Contractual commitments

Lease commitments under operating leases at March 31, are payable as follows:

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Within one year	10,859	15,207	10,859	15,207
Subsequent years	15,980	22,323	15,980	22,323
	26,839	37,530	26,839	37,530

Payments made during the year ended March 31, 2014 aggregated:

	2014	2013
	$'000	$'000
The Group and Company	17,980	23,894

26. Tax assessment

In 2004, the company's subsdiary, Cigarette Company of Jamaica Limited (in voluntary liquidation) ("CCJ") received assessments for income tax claimed by the Commissioner of Taxpayer Audit and Assessment, subsequently renamed Tax Administration Jamaica (TAJ), for the years 1997 to 2002 amounting to $5.68 billion. CCJ appealed the assessment. Whilst the appeal was in progress, CCJ paid an amount of $1.73 billion to TAJ.

On March 13, 2012, after a series of judgements and appeals in lower courts, the Judicial Committee of the Privy Council handed down its decision dismissing the appeal of the TAJ with costs to CCJ. These costs have been taxed and recovered.

On December 30, 2013, the company reached an agreement with the TAJ and the Ministry of Finance & Planning ("the settlement agreement"), to recover the $1.73 billion plus interest of $1.78 billion on the outstanding sum. The interest receivable by CCJ has been fully recognised in these financial statements.

During the year, TAJ commenced refunds to CCJ by issuing offsets against the estimated tax liability of Carreras Limited in the aggregate amount of $1.70 billion. The company expects to recover a further $1.81 billion over the next twelve months.